

**BEFORE THE TENNESSEE REGULATORY AUTHORITY AT
NASHVILLE, TENNESSEE**

MAY 18, 2000

IN RE:)	
)	
PETITION OF KENTUCKY UTILITIES)	DOCKET NO. 00-00364
COMPANY FOR AN ORDER AUTHORIZING)	
THE ISSUANCE OF SECURITIES AND THE)	
ASSUMPTION OF OBLIGATIONS)	

ORDER APPROVING DEBT ISSUANCE

This matter came before the Tennessee Regulatory Authority ("Authority") upon the petition ("Petition") of Kentucky Utilities Company (the "Company" or "Kentucky Utilities") for approval to refinance a series of pollution control revenue bonds with the proceeds of a new series of pollution control revenue bonds. The Directors of the Authority considered the Company's Petition at a regularly scheduled Authority Conference held on May 9, 2000. Upon consideration of the Petition, the Directors made the following findings of fact and conclusions of law:

1. Kentucky Utilities is a corporation duly organized and existing under the laws of the Commonwealth of Kentucky, having its principal place of business in the City of Lexington, Kentucky, and is qualified to transact business in the State of Tennessee.
2. Kentucky Utilities is in the business of supplying electric power to ratepayers in Tennessee, and is therefore subject to regulation and supervision by the Authority pursuant to Tenn. Code Ann. § 65-4-101, *et seq.*

3. On May 4, 2000, Kentucky Utilities filed with the Authority, pursuant to Tenn. Code Ann. § 65-4-109, its Petition seeking approval of the proposed refinancing of a series of pollution control revenue bonds with the proceeds of a new series of pollution control revenue bonds. The particular series of pollution control revenue bonds to be refinanced are (i) the \$4,000,000 principal amount of Mercer County, Kentucky, 7.375% Pollution Control Revenue Bonds, 1990 Series A Bonds, due May 1, 2010, and (ii) the \$8,900,000 principal amount of Mercer County, Kentucky, 7.60% Pollution Control Revenue Bonds, 1990 Series A Bonds, due May 1, 2020. In order to refinance these bonds, the Company would assume certain debt obligations under various agreements in an aggregate principal amount not to exceed \$13,400,000 in connection with the proposed issuance of one or more new series of Mercer County Pollution Control Revenue Bonds (the "refunding bonds"). The proceeds of the refunding bonds would be loaned to Kentucky Utilities by Mercer County to provide funds to redeem a corresponding principal amount of the existing Mercer County pollution control revenue bonds, listed above, and to pay a total of \$500,000 for the redemption premium on the outstanding 1990 Mercer County bonds due May 1, 2020 and for the costs of issuance of the refunding bonds. According to the Petition, the purpose of the refinancing is to reduce the Company's cost of debt and extend the maturity dates of the bonds.

4. Kentucky Utilities states that it expects that the structure and documentation for the issuance of the refunding bonds would be similar to the structure and documentation of previous pollution control financings of Kentucky Utilities. The refunding bonds would be issued pursuant to one or more indentures between Mercer County and one or more trustees. The proceeds from the sale of one or more series of refunding bonds would be loaned to Kentucky Utilities pursuant to one or more loan agreements between Mercer County and Kentucky Utilities.

5. The refunding bonds would be sold in one or more underwritten public offerings, negotiated sales, or private placement transactions, with prices, maturity dates, interest rates, redemption provisions, and other terms and provisions to be determined on the basis of negotiations among Kentucky Utilities, Mercer County, and the purchasers of the bonds. All or a portion of the refunding bonds may be issued initially with an interest rate that fluctuates on a weekly, monthly, or other basis as determined from time to time by Kentucky Utilities, and Kentucky Utilities would have the option to convert the refunding bonds at a later date to a fixed rate of interest.

6. In the event that variable rate refunding bonds are issued, Kentucky Utilities may enter into one or more liquidity facilities with a bank or banks to be selected by Kentucky Utilities. The liquidity facilities would be designed to provide Kentucky Utilities with immediately available funds with which to make payments with respect to any variable rate refunding bonds which have been tendered for purchase and not remarketed. Kentucky Utilities may also replace its current liquidity facility with one or more substitute liquidity support or credit support facilities with one or more banks, insurance companies, or other financial institutions to be selected by Kentucky Utilities from time to time. In connection with any liquidity facility, Kentucky Utilities also may enter into one or more credit agreements with the providers of such facility.

7. In connection with the issuance of the refunding bonds, Kentucky Utilities may also enter into one or more interest rate hedging agreements, including an interest rate swap, cap, collar, or similar agreement, with a bank or financial institution.

8. Under Tenn. Code Ann. § 65-4-109, the Authority is directed to approve the proposed assumption of debt obligations if it finds that it is to be made in accordance with law and that the Authority approves the purpose of the assumption of debt obligations.

9. The Authority concluded after careful consideration of the entire record and all applicable rules and statutes, particularly the provisions of Tenn. Code Ann. § 65-4-109, that this Petition should be approved. The Authority finds that this assumption of debt obligations is in accordance with law and is for a proper purpose.

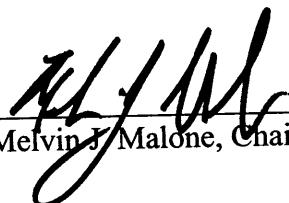
IT IS THEREFORE ORDERED THAT:

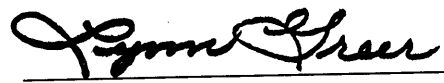
1. Kentucky Utilities Company is authorized to assume certain debt obligations under various agreements in an aggregate principal amount not to exceed \$13,400,000 in connection with the proposed issuance of one or more new series of Mercer County, Kentucky, Pollution Control Revenue Bonds.

2. The terms of said debt obligations shall be as described in the Petition on file with the Authority.

3. The authorization and approval given hereby should not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of any pollution control revenue bonds issued as described in the Petition of Kentucky Utilities. Nothing contained herein creates or is intended to create any liability on the part of the Tennessee Regulatory Authority or the State of Tennessee or any political subdivision thereof for the transaction approved herein.

4. Any party aggrieved with the Authority's decision in this matter may file a Petition for Reconsideration with the Authority within fifteen (15) days from and after the date of this Order.


Melvin J. Malone, Chairman


H. Lynn Greer, Jr., Director


Sara Kyle, Director

ATTEST:


K. David Waddell, Executive Secretary